



Bill Owens  
Governor

Colorado Department of Local Affairs  
Executive Director, Michael L. Beasley

DIVISION OF PROPERTY TAXATION  
Mary E. Huddleston  
Property Tax Administrator

## BULLETIN NO. 31

TO: County Assessors

FROM: Mary E. Huddleston  
Property Tax Administrator

DATE: October 26, 2005

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**THE BULLETIN IS AVAILABLE ON OUR WEBSITE.**

[www.dola.state.co.us/propertytax/index.htm](http://www.dola.state.co.us/propertytax/index.htm)

<u>Date</u>	<u>Title</u>	<u>Distribution</u>
10/26/05	Revisions to ARL Volume 3	Assessor and Assessor staff. File in appropriate section of ARL Volume 3.
10/26/05	Meeting to Review 2006 Proposed Natural Resource Rates and Prices	Review with all interested personnel.
10/26/05	Proposed 2006 Oil and Gas Pipeline Capitalization Rates Proposed 2006 BBB Bond Rate Proposed 2006 Cost Trending Factors And Percent Good Tables	Review with all interested personnel.
10/26/05	Proposed 2006 Drilling Rig Valuation Depth Schedule	Review with all interested personnel.





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**DIVISION OF PROPERTY TAXATION**  
Mary E. Huddleston  
Property Tax Administrator

TO: County Assessors

FROM: Mary E. Huddleston  
Property Tax Administrator

SUBJECT: Revisions to ARL Volume 3

DATE: October 26, 2005

DISTRIBUTION: Assessor and Assessor staff.  
File in appropriate section of ARL Volume 3.

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### MEMORANDUM

Attached are the revised ARL Volume 3 pages that were approved at the September 2005 Statutory Advisory Committee meeting. These pages can also be found on our website.



# ASSESSOR'S REFERENCE LIBRARY VOLUME 3, LAND VALUATION MANUAL CONTENTS CHECK LIST

The following list indicates all up-to-date sections and the order in which they should appear in your manual. Indicate any pages missing from your ARL Volume 3, Land Valuation Manual, complete the name and address box on the opposite side of the form, fold the form so that the address for the Division of Property Taxation shows, staple, affix a stamp, and mail the completed form. **Bold typeface indicates updated material as of the September 2005 Statutory Advisory Committee hearing.**

Section	Pages	Date
Title Page	i	Revised 1-03
Preface	ii	Revised 1-03
<b>Contents Check List</b>	<b>iii-iv</b>	<b>Revised 9-05</b>
Glossary of Abbreviations v-vi	No Change	Revised 1-02
Table of Contents	No Change	Revised 1-05
Chapter 1	No Change	Revised 9-03
Chapter 2	No Change	Revised 6-05
Chapter 3	No Change	Revised 6-05
Chapter 4	No Change	Revised 1-05
Chapter 5	No Change	Revised 6-05
Chapter 6	No Change	Revised 1-05
<b>Chapter 7</b>	<b>Pages 7.17-7.18</b>	<b>Revised 9-05</b>
Chapter 7	All other pages, no change	Revised 6-05
Chapter 8	No Change	Revised 1-02
Chapter 9	No Change	Revised 1-02
Chapter 10	No Change	Revised 1-02
Index	No Change	Revised 1-04

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Leased Fee Interest:

The market approach may be helpful in valuing the leased fee interest in this property type if:

1. the sale property is leased;
2. the lease term is similar;
3. the lease rate is similar;
4. rent escalations are similar;
5. the creditworthiness of the tenant is similar.

As the number of items of comparability decreases, the reliability of this methodology diminishes.

Leasehold Interest:

Sales of leasehold interests in buildings rarely occur. It is unlikely that this methodology will be helpful in valuing this component of the fee simple interest.

**Income Approach**

The income approach is the most useful methodology when providing an opinion of the value of a property encumbered by a long-term, non-market lease.

Long-term, non-market leases frequently include other sources of income in addition to base rent, such as percentage rent. It is important to include income from all sources when analyzing the relationship of contract rent to market rent.

Frequently, large national tenants are able to negotiate below market rental rates. Because of the good creditworthiness of this type of tenant, these properties may sell at a lower overall rate. Where this situation exists, the value of the leased fee interest may be equal to the value of the fee simple interest, even if the contract rent would otherwise be considered below market.

**UNIT ASSESSMENT RULE****Partial interests not subject to separate tax.**

For purposes of property taxation, it shall make no difference that the use, possession, or ownership of any taxable property is qualified, limited, not the subject of alienation, or the subject of levy or distraint separately from the particular tax derivable therefrom. Severed mineral interests shall also be taxed.

**39-1-106, C.R.S.**

**Annotation:**

This section establishes a unity rule for the assessment of property **rather than requiring assessment of the various interests in the property.**

In the *Regis* case, 848 P. 2d 355 (Colo. 1993), the court cited § 39-1-106, C.R.S. as applying the Unit Assessment Rule in Colorado. The court defines this as "...a rule of property taxation which requires that all estates in a unit of real property be assessed together...." This is an important concept in the valuation of a property encumbered by a below market rent on a long-term basis. For example, a leased property includes both the rights of the landlord (leased fee estate) and the rights of the tenant (leasehold estate). As noted in *The Appraisal of Real Estate*, 12<sup>th</sup> ed., p. 83, "a leasehold interest may have value if contract rent is less than the market rent,..."

The problem the court had in the *Regis* case was that by capitalizing the market rent into value, the assessor ignored the value impact of the existing lease. The court ruled that "the BOAA is free to place whatever weight it deems appropriate" on the lease, (*Regis*, p. 361). In the facts of that case the court noted that the BOAA concluded a value well above the leased fee interest in the property, and further stated "it is clear that the BOAA considered the lessee's interest in determining the actual value of the subject property," (*Regis*, p. 361). The court concluded: "We do not hold that actual rent is the only factor to be considered in valuing property, nor is it necessarily the predominate factor, only that theoretic market rent is not the exclusive factor to be considered," (*Regis*, p. 362).

## RECOMMENDED PROCEDURE

In order to be in compliance with the statutory requirement of § 39-1-106, C.R.S. (Unit Assessment Rule) and the Supreme Court ruling in *Regis*, we recommend the following procedure for developing an opinion of value for properties leased on a long-term basis at below market rent.

1. Calculate the value of the leased fee position by capitalizing net income based on contract rent;
2. Calculate the value of the leasehold position by estimating the present worth of the rent difference over the remaining term of the lease, and
3. Conclude the value of all estates in the "unit of property." (The appraiser should recognize that the market value of a property is not necessarily the sum of the value of the individual estates.)

Some of the factors to be considered are:

- The general concept is that lower risk positions are worth more and should be capitalized into value at lower overall rates;
- Items to be considered in assessing the level of risk with this property type include:
  - duration of the lease,
  - variance compared to market rent,
  - rent escalation clauses during the base lease term,
  - percentage rent clauses.



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**Colorado Department of Local Affairs**

Executive Director, Michael L. Beasley

**DIVISION OF PROPERTY TAXATION**

Mary E. Huddleston  
Property Tax Administrator

TO: CAA Natural Resource Committee  
Industry Members and Other Interested Parties

FROM: Mary E. Huddleston  
Property Tax Administrator

DATE: October 26, 2005

SUBJECT: Meeting to Review 2006 Proposed Natural Resource Rates and Prices

---

**MEMORANDUM**

Attached for your review are the 2006 proposed changes to the following addenda from the Assessor's Reference Library (ARL) Volume 3, Chapter 6:

**Addendum 6-A: 2006 SAND AND GRAVEL ECONOMIC ROYALTY RATES**  
**Addendum 6-B: 2006 COAL AND OTHER RATES AND PRICES**  
**Addendum 6-C: 2006 HOSKOLD FACTORS WORKSHEET**

General spot coal prices rose 35 percent, or \$0.64 per 1000 BTUs as compared to last year. Economic royalty rates for the five sand and gravel districts increased no more than \$0.10 per ton over last year. The statewide economic royalty rate for "Borrow" rose by only \$0.02 per cubic yard.

You are invited to attend a meeting to provide your comments regarding the proposed rates and prices. The meeting date and times are as follows:

**November 15, 2005**  
**9:00 A.M. – Sand and Gravel Royalty Rates**  
**10:00 A.M. – Coal Rates, Prices, and Discount Rate**  
**DIVISION OF PROPERTY TAXATION**  
**1313 Sherman Street, Room 419**  
**Denver, Colorado 80203**

If you are planning to attend either meeting, please notify Gene Neading at (303) 866-2371. If you cannot attend, but wish to provide written comments regarding the changes, please send your response to the Division by November 15, 2005.

After assessor and industry input have been considered, the 2006 proposed addenda will be submitted for Statutory Advisory Committee (SAC) review at its meeting scheduled for December 15, 2005 at 9:00AM. The changes will be effective January 1, 2006 for use by all assessors.

MEH/GN/gn

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## **ADDENDUM 6-A, 2006 SAND & GRAVEL ECONOMIC ROYALTY RATES**

### **District #1 - \$.70 per ton**

Counties:

Adams	Denver	Jefferson
Arapahoe	Douglas	Larimer
Boulder	El Paso	Weld
Broomfield	Elbert	
Clear Creek	Gilpin	

### **District #2 - \$.51 per ton**

Counties:

Kit Carson	Phillips	Yuma
Logan	Sedgwick	
Morgan	Washington	

### **District #3 - \$.51 per ton**

Counties:

Baca	Fremont	Otero
Bent	Huerfano	Prowers
Cheyenne	Kiowa	Pueblo
Crowley	Las Animas	
Custer	Lincoln	

### **District #4 - \$.55 per ton**

Counties:

Alamosa	La Plata	Saguache
Archuleta	Mineral	San Juan
Conejos	Montezuma	San Miguel
Costilla	Ouray	
Dolores	Rio Grande	

### **District #5 - \$.59 per ton**

Counties:

Chaffee	Hinsdale	Park
Delta	Jackson	Pitkin
Eagle	Lake	Rio Blanco
Garfield	Mesa	Routt
Grand	Moffat	Summit
Gunnison	Montrose	Teller

### **Statewide royalty rate for borrow - \$.44 per cu. yard**

To convert tons to cubic yards:

**tons X .74 = cubic yards**

To convert cubic yards to tons:

**cubic yards ÷ .74 = tons**



## **ADDENDUM 6-B, 2006 COAL & OTHER RATES AND PRICES**

### **COAL**

Royalty Rates: 6% of market price underground  
9% of market price surface (strip)  
Discount Rate: 10.10%\*

Market Prices BTU's		Steam Coal Price/Ton
less than	- 9,130	\$22.50 /ton
9,131	- 9,330	\$23.00 /ton
9,331	- 9,530	\$23.50 /ton
9,531	- 9,740	\$24.00 /ton
9,741	- 9,940	\$24.50 /ton
9,941	- 10,140	\$25.00 /ton
10,141	- 10,350	\$25.50 /ton
10,351	- 10,550	\$26.00 /ton
10,551	- 10,750	\$26.50 /ton
10,751	- 10,950	\$27.00 /ton
10,951	- 11,160	\$27.50 /ton
11,161	- 11,360	\$28.00 /ton
11,361	- 11,560	\$28.50 /ton
11,561	- 11,770	\$29.00 /ton
11,771	- 11,970	\$29.50 /ton
11,971	- 12,170	\$30.00 /ton
12,171	- 12,370	\$30.50 /ton
12,371	- 12,580	\$31.00 /ton
12,581	- 12,780	\$31.50 /ton
12,781	- 12,980	\$32.00 /ton
12,981	- 13,190	\$32.50 /ton
13,191	- 13,390	\$33.00 /ton
13,391	- 13,590	\$33.50 /ton
13,591	- 13,790	\$34.00 /ton
13,791	- or more	\$34.50 /ton

A deduction of \$3.00 per ton from the above listed prices should be made if the coal operation prepares the raw coal produced to achieve a saleable product. If this deduction is taken, the assessor must use raw production tonnage as reported by the mine owner or operator.

### **OTHER NATURAL RESOURCE OPERATIONS**

Discount Rate – 10.10%\*

\*This discount rate is listed to provide the appraiser with one of the three components needed to locally develop an applicable Hoskold factor. Please refer to **Development of Hoskold Factors** located in this chapter for specific instructions on development of the Hoskold factor.

### ADDENDUM 6-C, 2006 HOSKOLD FACTORS WORKSHEET

Discount Rate = 10.10%  
Sinking Fund Factors @ 4.2%

<u>ECONOMIC</u> <u>LIFE IN</u> <u>YEARS</u>	<u>DISCOUNT</u> <u>RATE</u>	<u>+</u>	<u>SINKING</u> <u>FUND</u> <u>FACTOR</u>	<u>+</u>	<u>EFFECTIVE</u> <u>TAX RATE</u>	<u>=</u>	<u>CAP RATE</u>	<u>HOSKOLD</u> <u>FACTOR</u>
1	0.1010	+	1.000000	+		=		
2	0.1010	+	0.489716	+		=		
3	0.1010	+	0.319717	+		=		
4	0.1010	+	0.234790	+		=		
5	0.1010	+	0.183891	+		=		
6	0.1010	+	0.150006	+		=		
7	0.1010	+	0.125843	+		=		
8	0.1010	+	0.107757	+		=		
9	0.1010	+	0.093721	+		=		
10	0.1010	+	0.082522	+		=		
11	0.1010	+	0.073384	+		=		
12	0.1010	+	0.065792	+		=		
13	0.1010	+	0.059390	+		=		
14	0.1010	+	0.053923	+		=		
15	0.1010	+	0.049203	+		=		
16	0.1010	+	0.045091	+		=		
17	0.1010	+	0.041479	+		=		
18	0.1010	+	0.038283	+		=		
19	0.1010	+	0.035438	+		=		
20	0.1010	+	0.032891	+		=		
21	0.1010	+	0.030599	+		=		
22	0.1010	+	0.028528	+		=		
23	0.1010	+	0.026649	+		=		
24	0.1010	+	0.024937	+		=		
25	0.1010	+	0.023372	+		=		
26	0.1010	+	0.021938	+		=		
27	0.1010	+	0.020620	+		=		
28	0.1010	+	0.019405	+		=		
29	0.1010	+	0.018282	+		=		
30	0.1010	+	0.017243	+		=		



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**DIVISION OF PROPERTY TAXATION**

Mary E. Huddleston  
Property Tax Administrator

TO: Oil and Gas County Assessors  
Oil and Gas Industry Members and Other Interested Parties

FROM: Mary E. Huddleston  
Property Tax Administrator

DATE: October 26, 2005

SUBJECT: Proposed 2006 Oil and Gas Pipeline Capitalization Rates,  
Proposed 2006 BBB Bond Rate  
Proposed 2006 Cost Trending Factors and Percent Good Tables

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**MEMORANDUM**

Enclosed for your review are the following data from the Assessor's Reference Library.

The proposed **2006 Oil and Gas Netback BBB Bond Rate** in ARL Volume 3 is **5.787**.

The proposed **2006 Oil and Gas Pipeline Capitalization Rates** in ARL Volume 5 are as follows:

Fluid Transmission Pipelines	Gas Transmission Pipelines	Gas Distribution Pipeline
<b>10.62%</b>	<b>11.97%</b>	<b>9.24%</b>

The proposed **2006 Cost Trending Factors and Percent Good Tables** in ARL Volume 5 are attached for your review. If you wish to provide comments regarding the updates for 2006, please send your response to Gene Neading by November 15, 2005:

**DIVISION OF PROPERTY TAXATION**

**1313 Sherman Street, Room 419**

**Denver, CO 80203**

**(303) 866-2898 Office**

**(303) 866-4000 Fax**

**[eugene.neading@state.co.us](mailto:eugene.neading@state.co.us)**

After assessor and industry input has been considered, the updates will be submitted for Statutory Advisory Committee (SAC) review at its meeting scheduled for December 15, 2005. The new Oil and Gas Pipeline Capitalization Rates, Cost Trending Factors and Percent Good Tables, and the Oil and Gas 2006 Netback BBB Bond Rate will be effective January 1, 2006 for use by all assessors.

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## 2006 COST TRENDING FACTORS AND PERCENT GOOD TABLES FOR VALUATION OF PIPELINE SYSTEMS

### FOR PIPELINE SYSTEMS VALUATION

<u>RCN Trend Factors</u>		<u>Percent Good Tables</u>		
Year of Acquisition	Trending Factor	Effective Age	Gathering	Trunk/ Transmission
2005	1.000	1	96%	99%
2004	1.173	2	92%	97%
2003	1.315	3	87%	95%
2002	1.328	4	83%	93%
2001	1.346	5	78%	91%
2000	1.350	6	73%	89%
1999	1.378	7	67%	87%
1998	1.373	8	62%	84%
1997	1.402	9	56%	82%
1996	1.422	10	49%	79%
1995	1.491	11	44%	76%
1994	1.502	12	38%	73%
1993	1.531	13	34%	69%
1992	1.560	14	28%	66%
1991	1.531	15	23%	63%
1990	1.480	16	21%	59%
1989	1.513	17	15%	56%
1988	1.536	18	-----	52%
1987	1.585	19	-----	49%
1986	1.617	20	-----	45%
1985	1.657	21	-----	42%
1984	1.637	22	-----	39%
1983	1.630	23	-----	35%
1982	1.548	24	-----	32%
1981	1.678	25	-----	30%
1980	1.856	26	-----	26%
1979	2.046	27	-----	23%
1978	2.215	28	-----	19%
1977	2.445	29	-----	15%
1976	2.656			
1975 & prior	2.970			

Please note that the Iowa State University studies extend the minimum depreciated value floor from 14 to 17 years for gathering systems and from 22 to 29 years for trunk/transmission pipeline systems. Note also that RCN Trend Factors are displayed in the same order as the Percent Good Tables. A straight-edge applied at the bottom of any particular year's row will reveal the correct trending factor, the effective age for that year, and the appropriate percent good for either a gathering system or a trunk/transmission system.



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Mary E. Huddleston  
Property Tax Administrator

TO: Oil and Gas Assessors  
Oil and Gas Industry Members and Other Interested Parties

FROM: Mary E. Huddleston  
Property Tax Administrator

DATE: October 26, 2005

SUBJECT: Proposed 2006 Drilling Rig Valuation Depth Schedule

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**MEMORANDUM**

Attached for your review is a copy of the 2006 proposed update to the Assessor's Reference Library, Volume 5, Chapter 7:

**Addendum 7-A: 2006 Drilling Rig Valuation Depth Schedule**

To determine the 2006 Rotary Drill Rig values, data provided by HADCO International, Inc., was used. The average percent-change in values for drill rigs from the Fourth Quarter of 2004 through the Third Quarter of 2005 reflects an increase of 14.7 percent over that time period. Research on Drill Collars indicated an increase of 23.0 percent. Drill Pipe costs rose from \$15.00 to \$17.00 per linear foot.

If you wish to provide comments regarding the proposed addendum, please send your response to Gene Neading by November 15, 2005:

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**Denver, CO 80203**

**(303) 866-2898 Office**

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**[eugene.neading@state.co.us](mailto:eugene.neading@state.co.us)**

After assessor and industry input have been considered, the 2006 proposed addendum will be submitted for Statutory Advisory Committee (SAC) review at its meeting scheduled for December 15, 2005. The new Addendum 7-A, Drilling Rig Valuation Depth Schedule will be effective January 1, 2006 for use by all assessors.

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## **ADDENDUM 7-A, 2006 DRILLING RIG DEPTH SCHEDULE**

### **Market Valuation Depth Schedule**

To use the market valuation depth schedule, the assessor of the County of Original Assessment (COA) must physically inspect the rig and determine the following:

1. Actual rig depth capacity.
2. Overall physical condition according to condition ratings shown in the condition ratings section.
3. Additional items such as drill pipe and collars.

All operating oil and gas skid-mounted rotary drilling rigs are to be valued for 2006 using the market valuation depth schedule found below. Self-propelled drilling rigs are valued by the county clerk or motor vehicle department at the time a Special Mobile Machinery license plate is purchased.

<b>MARKET VALUATION DEPTH SCHEDULE</b>		<b>RIG CONDITION</b>		
		<b>POOR/STACKED</b>	<b>FAIR</b>	<b>GOOD</b>
<b>DEPTH RATING</b>	<b>3,999' OR LESS</b>	\$ 34,731	\$ 76,149	\$ 187,373
	<b>4,000' TO 4,999'</b>	\$ 44,266	\$ 96,652	\$ 397,455
	<b>5,000' TO 5,999'</b>	\$ 45,397	\$ 104,202	\$ 403,135
	<b>6,000' TO 6,499'</b>	\$ 71,738	\$ 126,119	\$ 425,845
	<b>6,500' TO 6,999'</b>	\$ 86,259	\$ 140,275	\$ 445,718
	<b>7,000' TO 7,499'</b>	\$ 153,230	\$ 200,390	\$ 556,440
	<b>7,500' TO 7,799'</b>	\$ 192,839	\$ 241,798	\$ 589,553
	<b>7,800' TO 7,999'</b>	\$ 198,573	\$ 251,962	\$ 624,095
	<b>8,000' TO 8,499'</b>	\$ 204,306	\$ 262,110	\$ 658,643
	<b>8,500' TO 8,999'</b>	\$ 208,842	\$ 288,563	\$ 718,758
	<b>9,000' TO 9,499'</b>	\$ 219,288	\$ 300,585	\$ 749,488
	<b>9,500' TO 9,999'</b>	\$ 228,155	\$ 319,020	\$ 793,185
	<b>10,000' TO 10,499'</b>	\$ 246,869	\$ 335,052	\$ 852,234
	<b>10,500' TO 10,999'</b>	\$ 255,272	\$ 348,872	\$ 887,596
	<b>11,000' TO 11,499'</b>	\$ 263,679	\$ 362,675	\$ 922,959
	<b>11,500' TO 11,999'</b>	\$ 275,091	\$ 385,550	\$ 947,174
	<b>12,000' TO 12,499'</b>	\$ 286,613	\$ 408,411	\$ 971,380
	<b>12,500' TO 12,999'</b>	\$ 319,587	\$ 433,211	\$ 1,175,060
	<b>13,000' TO 13,999'</b>	\$ 329,967	\$ 477,348	\$ 1,231,023
	<b>14,000' TO 14,999'</b>	\$ 346,176	\$ 522,779	\$ 1,323,165
	<b>15,000' TO 15,999'</b>	\$ 361,471	\$ 547,706	\$ 1,387,688
	<b>16,000' TO 17,999'</b>	\$ 381,480	\$ 672,796	\$ 1,684,759
	<b>18,000' AND ABOVE</b>	\$ 459,688	\$ 1,214,362	\$ 3,633,881

Using the table from the prior page, find the rig's actual "Depth Rating" in feet, and the "Rig Condition," to determine its market value. Rig depth capacity may be greater than original capacity in the case of modified or remanufactured rigs. Additional items such as drill pipe and collars must be added to this value if they are present.

The resulting market value of the rig, drill pipe, and collars is then multiplied by the specified year's adjustment factor to determine the specified year's level of value.

### **CONDITION RATINGS**

Rig condition ratings must be determined by a physical inspection of each rig using the following guidelines. The appraiser must evaluate the rig as a whole and assign the rating that best approximates the rig's condition. Do not use ratings and values other than those provided.

#### **Good**

Operating condition is 100%. No known or obvious mechanical defects, but the rig may have some minor worn parts that will need repair or replacement in the near future. May have high hours of use, but no defects are obvious.

#### **Fair**

Has very high hours indicating extended use. Defects are obvious and will require repair or general rebuilding soon. Not 100% functional or efficient, rigs may be operational or functional, but questionable as to how long this will continue.

#### **Poor/Stacked**

Has seen very hard and long hours of service. Requires rebuild, repair, or overhaul before it can be used. Not operational or functional.

Stacked rigs are those rigs that have been dismantled, the components have been stacked together over a year, and are in poor condition. Because of stacking, these rigs show additional physical deterioration that will require repairs and/or maintenance to begin operation.

Rigs that have been stacked only a short time, which do not show additional physical depreciation due to "pickling," i.e. they are covered with a preservative grease, or are subject to regular maintenance, should be valued based on their observed condition using the operating rig depth schedule.

### **ADDITIONAL ITEMS**

The values shown in the Market Valuation Depth Schedule for both operating and stacked rigs do not include values for drill pipe and drill collars. The County of Original Assessment (COA) is to add the following values for pipe and collars, to the actual value determined for the drilling rig, prior to apportionment of the total actual value to the Colorado counties in which the rig was located during the prior calendar year:

DRILL PIPE -	\$17.00 per linear foot	
DRILL COLLARS -	7,500' & under	\$19,200
	7,501' to 12,500'	\$25,600
	12,501' & over	\$32,000

### **LEVEL OF VALUE ADJUSTMENT FACTOR**

The actual value of personal property must be adjusted to current level of value for real property as required by § 39-1-104(12.3)(a)(I), C.R.S. For 2006, the level of value adjustment factor for drilling rigs is **0.91**.

### **Drilling Rig Valuation Example**

The subject property is an operating, skid-mounted, rotary drilling rig located, as of January 1, in Carbon County, Colorado. The assessor's physical inspection determined that the rig was originally manufactured to drill up to 8,000 feet in depth. However, after modifications to the drilling rig, it was adjusted to drill up to 10,000 feet in depth. The inspection noted 12,000 feet of drill pipe. The rig is determined to be in Good condition.

10,000' (adjusted rig depth) in Good Condition

\$ 852,234 Value of rig from table  
 + 204,000 (drill pipe - 12,000' x \$17.00 per foot)  
 + 25,600 (drill collars - \$25,600 total for a 10,000' rig)

\$1,081,834 Current level of value of rig and related equipment  
 x 0.91 (specified year's level of value adjustment factor)

\$ 984,469 Specified year's level of value  
 x .29 (statutory assessment rate)

\$ 285,496 ASSESSED VALUE

The assessed value is then apportioned, as required in § 39-5-113.3(2), C.R.S., to all counties where the rig was in operation during the previous calendar year. Refer to ***Special Administrative Issues***.